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**FISCAL IMPACT STATEMENT**

**LS 7026**

**BILL NUMBER:** HB 1530

**NOTE PREPARED:** Feb 25, 2009

**BILL AMENDED:** Feb 19, 2009

**SUBJECT:** Funding of Local Government Projects.

**FIRST AUTHOR:** Rep. Candelaria Reardon

**FIRST SPONSOR:** Sen. Hershman

**BILL STATUS:** As Passed House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill amends the provisions authorizing political subdivisions to borrow the money necessary to finance a public work project from a financial institution to allow political subdivisions to also borrow to finance an eligible efficiency project that costs not more than \$3,000,000.

The bill defines "eligible efficiency project" as a project that is necessary or useful to: (1) carrying out an interlocal cooperation agreement entered into by two or more political subdivisions or governmental entities; or (2) the consolidation of local government services. It authorizes a municipality to borrow money from a municipally owned utility to carry out an eligible efficiency project within the municipality.

The bill provides that property tax proceeds allocated under Tax Increment Financing (TIF) may be used to carry out an eligible efficiency project only if those property tax proceeds are in excess of the amount necessary to make certain other payments (including payments of principal and interest on bonds and other obligations, payments of premiums on the redemption before maturity of bonds, and payments on leases).

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The bill would encourage local government consolidation and efficiency. The bill would allow a local unit to borrow up to \$3 M to finance a project that might be necessary to implement an interlocal agreement or a consolidation plan. The impact would depend on the

number of local eligible efficiency projects with borrowing limited to \$3 M with a six-year term. The annual cost of a \$3 M project financed over six years at 5% interest would be about \$591,000. The potential savings from the interlocal agreement or consolidation would probably be greater than the \$3 M needed to facilitate agreement or consolidation. The net savings to locals is unknown.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Local units.

**Information Sources:**

**Fiscal Analyst:** Chuck Mayfield, 317-232-4825